



**MODIMOLLE LOCAL MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## General Information

---

### Mayoral committee

Mayor

KE Lekalakala

Councillors

SA Sebolai

MP Kekana

LW van Aswegan

NG Mashitsho

MF Marutha

MS Olifant

G Ferreira

RP Mashaba

MS Motshegoa

NG Mojela

MP Nyama

J Nel

WL Botes

NA Khanya

SJ Moropene

MS Ledwaba

SP Sebelebele

### Grading of local authority

3

### Acting Accounting Officer

NJ Moagi

### Chief Finance Officer (CFO)

TM Mathabatha

### Registered office

Harry Gwala Street  
OR Tambo Square  
Modimolle  
0510

### Business address

Harry Gwala Street  
OR Tambo Square  
Modimolle  
0510

### Postal address

Private Bag X 1008  
Modimolle  
0510

### Bankers

Standard Bank

### Auditors

Auditor General

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Index

---

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	11 - 21
Notes to the Financial Statements	22 - 47
Appendixes:	
Appendix A: Schedule of External loans	48
Appendix B: Analysis of Property, Plant and Equipment	49
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	52
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	53
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	54
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	55
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	56
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	57
Appendix G(5): Budgeted Cash Flows	58

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Index

---

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

## **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2013

### **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 47, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

---

**NJ Moagi**  
**Acting Municipal Manager**

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
<b>Assets</b>			
Current Assets			
Inventories	9	6 097 986	6 512 166
Receivables from exchange transactions	10	59 119 507	39 259 067
Receivables from non-exchange transactions	11	14 571 421	11 899 206
Investments	7	900 000	900 000
Cash and cash equivalents	12	56 119 794	55 498 861
		<b>136 808 708</b>	<b>114 069 300</b>
Non-Current Assets			
Property, plant and equipment	4	828 215 867	806 667 395
Intangible assets	5	2 497 269	2 497 269
Investments	7	2 322 028	1 990 416
Non-current receivables	8	299 416	159 147
		<b>833 334 580</b>	<b>811 314 227</b>
Non-Current Assets		833 334 580	811 314 227
Current Assets		136 808 708	114 069 300
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>970 143 288</b>	<b>925 383 527</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	13	483 622	441 575
Finance lease obligation	14	1 178 946	911 737
Payables from exchange transactions	17	31 331 767	37 294 144
VAT payable	18	21 136 174	15 766 179
Consumer deposits	19	3 026 762	2 808 569
Unspent conditional grants and receipts	15	23 875 993	14 626 845
		<b>81 033 264</b>	<b>71 849 049</b>
Non-Current Liabilities			
Other financial liabilities	13	1 742 629	2 225 974
Finance lease obligation	14	2 741 173	3 294 623
Retirement benefit obligation	6	20 458 439	17 900 419
Provisions	16	8 025 631	6 474 948
		<b>32 967 872</b>	<b>29 895 964</b>
Non-Current Liabilities		32 967 872	29 895 964
Current Liabilities		81 033 264	71 849 049
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>114 001 136</b>	<b>101 745 013</b>
Assets		970 143 288	925 383 527
Liabilities		(114 001 136)	(101 745 013)
<b>Net Assets</b>		<b>856 142 152</b>	<b>823 638 514</b>
<b>Net Assets</b>			
Reserves			
Housing Development Fund		483 263	483 263
Accumulated surplus		855 658 889	823 155 251
<b>Total Net Assets</b>		<b>856 142 152</b>	<b>823 638 514</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
<b>Revenue</b>			
Property rates	21	19 426 513	17 640 185
Service charges	22	109 066 284	101 292 303
Rental of facilities and equipment	30	173 310	345 529
Interest earned - external investments	27	2 528 256	2 638 618
Interest earned - outstanding receivables	43	7 458 819	5 141 087
Fines		95 774	72 243
Income from agency services		3 906 671	3 294 168
Government grants & subsidies	23	100 069 852	84 051 066
Other income		5 321 198	2 827 927
<b>Total revenue</b>		<b>248 046 677</b>	<b>217 303 126</b>
<b>Expenditure</b>			
Employee Related Costs	25	(70 145 757)	(63 055 485)
Remuneration of councillors	26	(5 263 987)	(4 963 797)
Depreciation and amortisation		(23 280 209)	(30 503 397)
Finance costs	28	(2 717 057)	(2 749 329)
Debt impairment		(1 163 513)	(3 930 808)
Repairs and maintenance		(7 174 952)	(8 096 033)
Bulk purchases	32	(67 297 936)	(65 946 770)
Contracted services	31	(7 150 069)	(7 959 268)
General Expenses	24	(37 519 913)	(30 684 445)
<b>Total expenditure</b>		<b>(221 713 380)</b>	<b>(217 889 331)</b>
		-	-
Total revenue		248 046 677	217 303 126
Total expenditure		(221 713 380)	(217 889 331)
<b>Operating surplus (deficit)</b>		<b>26 333 297</b>	<b>(586 205)</b>
Loss on disposal of assets and liabilities		(2 113 003)	(459 917)
Inventories: Write Down		(445 189)	(135 726)
Inventory Surplus		110 646	-
		<b>(2 447 546)</b>	<b>(595 643)</b>
Surplus (deficit) before taxation		23 885 751	(1 181 848)
Taxation		-	-
<b>Surplus (deficit) for the year</b>		<b>23 885 751</b>	<b>(1 181 848)</b>
<b>Attributable to:</b>			
Accumulated Surplus		23 885 751	(1 181 848)

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	483 263	789 363 948	789 847 211
Adjustments			
Correction of errors	-	34 973 151	34 973 151
<b>Balance at 01 July 2011 as restated</b>	<b>483 263</b>	<b>824 337 099</b>	<b>824 820 362</b>
Changes in net assets			
Surplus for the year	-	(1 181 848)	(1 181 848)
Total changes	-	(1 181 848)	(1 181 848)
Opening balance as previously reported	483 263	822 290 074	822 773 337
Adjustments			
Prior year adjustments	-	9 483 064	9 483 064
<b>Balance at 01 July 2012 as restated</b>	<b>483 263</b>	<b>831 773 138</b>	<b>832 256 401</b>
Changes in net assets			
Surplus for the year	-	23 885 739	23 885 739
Total changes	-	23 885 751	23 885 751
<b>Balance at 30 June 2013</b>	<b>483 263</b>	<b>855 658 889</b>	<b>856 142 152</b>
Note(s)			



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		16 754 300	15 176 825
Sale of goods and services		89 205 844	79 166 068
Rental of facilities and equipment		173 310	345 529
Interest earned - outstanding receivables		7 458 819	5 141 087
Fines		95 771	72 243
Licences and permits		3 906 671	3 294 168
Grants		108 407 001	87 294 535
Interest income		2 528 256	2 638 618
Other receipts		5 445 836	2 588 626
		<b>233 975 808</b>	<b>195 717 699</b>
<b>Payments</b>			
Employee costs		(65 565 344)	(61 615 349)
Remuneration of councillors		(5 263 987)	(4 963 797)
Repair and Maintenance		(7 174 955)	(8 096 031)
Bulk purchases		(66 705 548)	(34 107 006)
Contracted services		(7 150 069)	(7 959 269)
General Expenses		(37 519 900)	(30 562 988)
Finance costs		(2 266 359)	(2 749 330)
		<b>(191 646 162)</b>	<b>(150 053 770)</b>
Total receipts		233 975 808	195 717 699
Total payments		(191 646 162)	(150 053 770)
<b>Net cash flows from operating activities</b>	<b>33</b>	<b>42 329 646</b>	<b>45 663 929</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(41 045 245)	(30 373 250)
Proceeds from sale of property, plant and equipment	4	1 767 605	-
Purchase of investments		(331 612)	(284 893)
Decrease in investments		-	12 237 202
Purchase of non-current receivables		(140 269)	(58 880)
<b>Net cash flows from investing activities</b>		<b>(39 749 521)</b>	<b>(18 479 821)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(441 298)	(465 090)
Finance lease payments		(1 517 894)	(1 029 696)
<b>Net cash flows from financing activities</b>		<b>(1 959 192)</b>	<b>(1 494 786)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>620 933</b>	<b>25 689 322</b>
Cash and cash equivalents at the beginning of the year		55 498 861	29 809 539
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>56 119 794</b>	<b>55 498 861</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	103 316 800	-	103 316 800	109 066 284	5 749 484
Rental of facilities and equipment	71 300	-	71 300	173 310	102 010
Interest received (trading)	5 000 000	-	5 000 000	7 458 819	2 458 819
Income from agency services	3 200 000	-	3 200 000	3 906 671	706 671
Other income - (rollup)	4 223 294	-	4 223 294	5 321 199	1 097 905
Interest received - investment	2 200 000	-	2 200 000	2 528 256	328 256
<b>Total revenue from exchange transactions</b>	<b>118 011 394</b>	<b>-</b>	<b>118 011 394</b>	<b>128 454 539</b>	<b>10 443 145</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	18 836 500	-	18 836 500	19 426 513	590 013
Government grants & subsidies	124 495 001	-	124 495 001	100 069 852	(24 425 149)

##### Transfer revenue

Fines	123 000	-	123 000	95 774	(27 226)
-------	---------	---	---------	--------	----------

<b>Total revenue from non-exchange transactions</b>	<b>143 454 501</b>	<b>-</b>	<b>143 454 501</b>	<b>119 592 139</b>	<b>(23 862 362)</b>
---	--------------------	----------	--------------------	--------------------	---------------------

'Total revenue from exchange transactions'	118 011 394	-	118 011 394	128 454 539	10 443 145
--	-------------	---	-------------	-------------	------------

'Total revenue from non-exchange transactions'	143 454 501	-	143 454 501	119 592 139	(23 862 362)
--	-------------	---	-------------	-------------	--------------

<b>Total revenue</b>	<b>261 465 895</b>	<b>-</b>	<b>261 465 895</b>	<b>248 046 678</b>	<b>(13 419 217)</b>
----------------------	--------------------	----------	--------------------	--------------------	---------------------

#### Expenditure

Employee Related Costs	(70 482 282)	-	(70 482 282)	(70 145 757)	336 525
Remuneration of councillors	(5 686 155)	-	(5 686 155)	(5 263 987)	422 168
Depreciation and amortisation	(37 519 318)	-	(37 519 318)	(23 280 209)	14 239 109
Finance costs	(3 426 000)	-	(3 426 000)	(2 717 057)	708 943
Debt impairment	(5 000 000)	-	(5 000 000)	(1 163 513)	3 836 487
Other Materials	(6 994 321)	(12 502)	(7 006 823)	(7 155 765)	(148 942)
Bulk purchases	(62 500 000)	-	(62 500 000)	(67 297 936)	(4 797 936)
Contracted Services	(7 500 000)	200 000	(7 300 000)	(7 150 069)	149 931
General Expenses	(43 704 870)	(187 498)	(43 892 368)	(37 539 088)	6 353 280

<b>Total expenditure</b>	<b>(242 812 946)</b>	<b>-</b>	<b>(242 812 946)</b>	<b>(221 713 381)</b>	<b>21 099 565</b>
--------------------------	----------------------	----------	----------------------	----------------------	-------------------

	245 412 395	-	245 412 395	248 046 678	2 634 283
	(242 812 946)	-	(242 812 946)	(221 713 381)	21 099 565

<b>Operating surplus</b>	<b>2 599 449</b>	<b>-</b>	<b>2 599 449</b>	<b>26 333 297</b>	<b>23 733 848</b>
--------------------------	------------------	----------	------------------	-------------------	-------------------

Loss on disposal of assets and liabilities	-	-	-	(2 113 003)	(2 113 003)
--	---	---	---	-------------	-------------

Loss on non-current assets held for sale or disposal groups	-	-	-	(445 189)	(445 189)
---	---	---	---	-----------	-----------

Surplus on distribution of non-cash assets to owners	-	-	-	110 646	110 646
--	---	---	---	---------	---------

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	(2 447 546)	(2 447 546)	
	2 599 449	-	2 599 449	26 333 297	23 733 848	
	-	-	-	(2 447 546)	(2 447 546)	
<b>Surplus before taxation</b>	<b>2 599 449</b>	-	<b>2 599 449</b>	<b>23 885 751</b>	<b>21 286 302</b>	
Deficit before taxation	2 599 449	-	2 599 449	23 885 751	21 286 302	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>2 599 449</b>	-	<b>2 599 449</b>	<b>23 885 751</b>	<b>21 286 302</b>	
<b>Reconciliation</b>						
<b>Format and classification differences</b>						
Other Materials				(19 187)		
General Expenditure				19 187		
<b>Actual Amount in the Statement of Financial Performance</b>				<b>23 885 751</b>		

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus indicates as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

##### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

##### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows in terms of GRAP 104.61 - 63.

#### 1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.2 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	5 - 80
Community Assets	
• Community Facility	7 - 100
• Sports and Recreational Facility	7 - 100
Infrastructure Assets	
• Electricity Network	4 - 100
• Road and Storm Water Network	4 - 100
• Sanitation Network	4 - 100
• Water Supply Network	4 - 100

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.2 Property, plant and equipment (continued)

#### Other Assets

• Housing	5 - 80
• Operational Buildings	5 - 80
• Office Equipment	3 - 7
• General Motor Vehicles	5
• Furniture and Fittings	3 - 7
• Plant and equipment	5 - 12

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

### 1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years
Electricity servitudes	Indefinite
Sanitation servitudes	Indefinite
Stormwater servitudes	Indefinite
Water servitudes	Indefinite

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.4 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Cash and cash equivalents
- Investments
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Loans, receivables and investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.4 Financial instruments (continued)

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Receivables from non-exchange transactions

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.7 Impairment of non-cash-generating assets (continued)

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.8 Employee benefits

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

### 1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.10 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.11 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### 1.12 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.13 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.17 Presentation of currency

These financial statements are presented in South African Rand.

### 1.18 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.19 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the new or revised standards.

The effective standards comprise of the following:

• GRAP 1	Presentation of Financial Statements
• GRAP 2	Cash Flow Statements
• GRAP 3	Accounting Policies, Changes in Accounting
• GRAP 4	The Effects of Changes in Foreign Exchange Rates
• GRAP 5	Borrowing Costs
• GRAP 6	Consolidated and Separate Financial Statements
• GRAP 7	Investments in Associates
• GRAP 8	Interest in Joint Ventures
• GRAP 9	Revenue from Exchange Transactions
• GRAP 10	Financial Reporting in Hyperinflationary Economies
• GRAP 11	Construction Contracts
• GRAP 12	Inventories
• GRAP 13	Leases
• GRAP 14	Event After the Reporting Date
• GRAP 16	Investment Property
• GRAP 17	Property, Plant and Equipment
• GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
• GRAP 21	Impairment of non-cash-generating assets
• GRAP 23	Revenue from non-exchange transactions
• GRAP 24	Presentation of Budget Information in Financial Statements
• GRAP 26	Impairment of cash-generating assets
• GRAP 27	Agriculture
• GRAP 31	Intangible assets
• GRAP 100	Non-current Assets Held for Sale and Discontinues Operations
• GRAP 101	Agriculture
• GRAP 102	Intangible Assets
• GRAP 103	Heritage Assets
• GRAP 104	Financial Instruments

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	
• GRAP 103: Heritage Assets	01 April 2012	
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	
• GRAP 26: Impairment of cash-generating assets	01 April 2012	
• GRAP 104: Financial Instruments	01 April 2012	

#### 3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

#### GRAP 18: Segment Reporting

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

#### **GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;



## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### GRAP 105: Transfers of functions between entities under common control

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

### 3. New standards and interpretations (continued)

### 4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	356 020 860	-	356 020 860	356 160 552	-	356 160 552
Buildings	56 227 318	(13 054 140)	43 173 178	52 786 104	(11 522 155)	41 263 949
Infrastructure	513 063 084	(108 082 957)	404 980 127	469 642 326	(100 528 364)	369 113 962
Community	20 519 750	(6 146 314)	14 373 436	19 923 849	(5 505 773)	14 418 076
Other property, plant and equipment	14 338 945	(7 832 275)	6 506 670	29 743 405	(7 484 613)	22 258 792
Finance lease asset	5 222 241	(2 060 645)	3 161 596	4 386 993	(934 929)	3 452 064
<b>Total</b>	<b>965 392 198</b>	<b>(137 176 331)</b>	<b>828 215 867</b>	<b>932 643 229</b>	<b>(125 975 834)</b>	<b>806 667 395</b>

### Reconciliation of property, plant and equipment - 2013

	Opening balance	Difference	Additions	WIP Capitalised	Disposals	Assets under construction	Depreciation
Land	357 543 772	(1 992 614)	801 786	-	-	-	(332 08)
Buildings	41 328 018	3 441 215	-	-	-	-	(1 596 05)
Infrastructure	371 933 071	1 183 717	15 481 596	15 458 783	-	18 501 710	(17 578 75)
Community	14 180 367	131 386	-	702 646	-	-	(640 96)
Other property, plant and equipment	9 818 210	(2 763 704)	353 906	-	(2 615 029)	3 791 776	(2 078 48)
Other property, plant and equipment # 4	4 215 463	(1)	-	-	-	-	(1 053 86)
	<b>799 018 901</b>	<b>(1)</b>	<b>16 637 288</b>	<b>16 161 429</b>	<b>(2 615 029)</b>	<b>22 293 486</b>	<b>(23 280 20)</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	WIP Capitalised	Disposals	Assets under construction	Capital under construction	Depreciation
Land	352 661 411	5 710 677	-	-	-	-	(828 31)
Buildings	37 965 636	6 261 356	-	-	-	(160 935)	(2 738 03)
Infrastructure	383 542 949	7 543 516	(27 520 965)	-	19 681 236	(273 883)	(11 039 78)
Community	15 298 318	279 337	(8 772)	-	-	(97 820)	(1 290 69)
Other property, plant and equipment	12 150 154	116 512	(48 000)	79 963	-	-	(2 480 41)
Finance lease assets	202 175	5 222 670	-	-	-	(1 057 377)	(152 00)
	<b>801 820 643</b>	<b>25 134 068</b>	<b>(27 577 737)</b>	<b>79 963</b>	<b>19 681 236</b>	<b>(1 590 015)</b>	<b>(18 529 25)</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	-	2 497 269	2 497 269	-	2 497 269	2 497 269

#### Reconciliation of intangible assets - 2013

	Opening balance	Total
Servitudes	2 497 269	2 497 269

#### Reconciliation of intangible assets - 2012

	Opening balance	Total
Servitudes	2 497 269	2 497 269

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 6. Employee benefit obligations

#### Defined benefit plan

#### Post employment health care plan

The post-employment health care benefit plan is a defined benefit plan, which is made up as follows:

	2013	2012
<b>Eligible In-service members</b>		
Number of Principal Members	111	101
Eligible Non-Members	210	220
Average Age of Members	42	42
Average Past Service	9	9
Average number of Dependants for In-Service Members	2	2
<b>Continuing Members</b>		
Number of Principal Members	18	17
Average Age of Members	73	73
Average number of Dependants	-	1
Average Employee Contributions	2 446	2 312

<b>The liability in respect of past service has been estimated to be as follows:</b>	<b>2013</b>	<b>2012</b>
In-service members	10 580 291	12 164 821
In-services non-members	3 760 566	-
Continuation members	6 117 582	5 735 598
	<b>20 458 439</b>	<b>17 900 419</b>

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-partially or wholly funded	(20 458 439)	(17 900 419)
--	--------------	--------------

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	17 900 419	17 016 505
Benefits paid	(471 720)	(482 616)
Net expense recognised in the statement of financial performance	3 029 740	1 366 530
<b>Closing balance</b>	<b>20 458 439</b>	<b>17 900 419</b>

Net expense recognised in the statement of financial performance

Current service cost	1 151 401	1 081 713
Interest cost	1 421 524	1 457 918
Actuarial (gains) losses	456 815	(1 173 101)
<b>Total included in employee related costs</b>	<b>3 029 740</b>	<b>1 366 530</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 6. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.04 %	8.05 %
Health care inflation rate	7.85 %	7.03 %
Net effective discount rate	1.10 %	0.94 %
Average retirement age (years)	58	58
Expected remaining working life of eligible employees (years)	-	17.50

The employee benefit obligation was independently performed by ARCH Actuarial Consulting. The report was prepared by Chanan Weiss BSc FFA. Chanan Weiss is a Fellow of the Actuarial Society of South Africa.

### 7. Investments

N T K	4 000	4 000
Investments	900 000	900 000
Fixed Deposit	2 318 028	1 986 416
	<b>3 222 028</b>	<b>2 890 416</b>

Fixed deposits amounting to R900 000 (2012: R900 000) have been pledged to Magalies Water for a deposit. The Investment is renewable annually.

Investments totalling R2 318 028 (2012: R1 986 416) were ceded to the DBSA. These investments serve as security for the long-term loans.

NTK is unlisted share investment for 2000 shares at R2 per share

### 8. Non-current receivables

Deposit - Electricity	299 416	159 147
-----------------------	---------	---------

The deposit is held by Eskom for bulk services rendered to the municipality.

### 9. Inventories

Consumable stores	5 052 134	5 490 477
Water	126 852	102 689
Unsold Properties Held for Resale	919 000	919 000
	<b>6 097 986</b>	<b>6 512 166</b>

#### Stores

There is only one centralized store within the municipality. The store consists mainly of maintenance items for the Water, Sanitation and Electricity department as well as stationary and protective clothing for the municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>10. Receivables from exchange transactions</b>		
Trade debtors	78 858 587	58 350 376
Provision for doubtful debts	(24 401 712)	(23 229 062)
Other receivables	4 662 632	4 137 753
	<b>59 119 507</b>	<b>39 259 067</b>

30 June 2013	Gross	Provision	Total
<b>Trade receivables</b>			
Electricity	11 491 970	(3 744 578)	7 747 392
Water	26 866 743	(9 259 052)	17 607 691
Sewerage	5 920 735	-	5 920 735
Refuse	5 918 367	(2 039 045)	3 879 322
VAT	8 702 931	(2 711 388)	5 991 543
Other	19 957 841	(6 647 649)	13 310 192
Subtotal	78 858 587	(24 401 712)	54 456 875
<b>Other receivables</b>			
Other receivables	4 662 632	-	4 662 632
	<b>83 521 219</b>	<b>(24 401 712)</b>	<b>59 119 507</b>

<b>30 June 2012</b>			
<b>Trade receivables</b>			
Electricity	8 212 680	(934 916)	7 277 764
Water	19 597 572	(9 351 256)	10 246 316
Sewerage	4 527 602	-	4 527 602
Refuse	4 911 067	(2 889 342)	2 021 725
VAT	6 289 707	(2 810 337)	3 479 370
Other	14 811 746	(7 243 211)	7 568 535
Subtotal	58 350 374	(23 229 062)	35 121 312
<b>Other receivables</b>			
Other receivables	4 137 753	-	4 137 753
	<b>62 488 127</b>	<b>(23 229 062)</b>	<b>39 259 065</b>

### Trade and other receivables past due but not impaired

30 June 2013	Electricity	Water	Sewerage	Refuse	VAT	Other
Current	2 214 496	1 093 533	614 529	262 978	600 614	337 703
31 - 60 days	939 203	690 041	244 388	116 444	313 546	479 268
61 - 90 days	649 434	742 733	206 366	97 681	286 915	454 067
91 - 120 days	390 586	576 725	193 093	93 860	214 449	441 009
121 - 365 days	3 553 673	14 504 659	4 662 359	3 308 359	4 576 018	11 598 145
	<b>7 747 392</b>	<b>17 607 691</b>	<b>5 920 735</b>	<b>3 879 322</b>	<b>5 991 542</b>	<b>13 310 192</b>
<b>30 June 2012</b>						
Current	2 803 328	1 822 007	577 216	387 148	789 743	660 170
31 - 60 days	1 984 659	1 524 236	205 629	161 159	563 904	513 654
61 - 90 days	663 460	752 796	173 616	134 651	263 964	501 475
91 - 120 days	465 647	697 276	146 709	143 935	211 191	499 505
121 - 365 days	1 360 669	5 390 001	3 424 433	1 194 832	1 650 567	5 393 730
	<b>7 277 763</b>	<b>10 186 316</b>	<b>4 527 603</b>	<b>2 021 725</b>	<b>3 479 369</b>	<b>7 568 534</b>



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 10. Receivables from exchange transactions (continued)

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	23 229 062	23 829 174
Provision for impairment	1 163 513	3 930 808
Amounts written off as uncollectible	-	(4 530 920)
Other	9 137	-
	<b>24 401 712</b>	<b>23 229 062</b>

### 11. Receivables from non-exchange transactions

Rates	13 710 479	11 038 612
Other receivables from non-exchange revenue	860 942	860 594
	<b>14 571 421</b>	<b>11 899 206</b>

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from rates non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R13 710 479 (2012: R 11 038 612) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current	1 444 708	1 255 569
31 - 60 days	622 548	532 784
61 - 90 days	571 864	466 866
91 - 120 days	535 353	444 088
121 - 365 days	10 536 006	8 339 307

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 800	4 100
Bank balances	25 287 332	51 203 436
Call deposits	30 829 662	4 291 325
	<b>56 119 794</b>	<b>55 498 861</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2013	30 June 2012	30 June 2013	30 June 2012	
Standard Bank Limited (Modimolle) - Current Account - 330506137	26 165 274	47 186 866	-	21 145 259	47 060 003 -
First National Bank (Modimolle) - Current Account - Number	-	107 372	-	4 142 073	4 143 433 -
<b>Total</b>	<b>26 165 274</b>	<b>47 294 238</b>	<b>-</b>	<b>25 287 332</b>	<b>51 203 436 -</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>13. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of Southern Africa Terms and conditions Account Number: 11191 Redemption Date: 31 March 2014 Interest Rate: 16.5% Payment Terms: 6 Monthly	140 649	260 646
Development Bank of Southern Africa Terms and conditions: Account Number: 10467 Redemption Date: 30 September 2017 Interest Rate: 12% Payment Terms: 6 Monthly	1 088 489	1 262 070
Development Bank of Southern Africa Terms and conditions Account Number: 13537 Redemption Date: 31 March 2020 Interest Rate: 3 Month Jibar + Margin Payment Terms: 3 Monthly	997 113	1 144 833
	<b>2 226 251</b>	<b>2 667 549</b>
<b>Total other financial liabilities</b>	<b>2 226 251</b>	<b>2 667 549</b>
<b>Non-current liabilities</b>		
At amortised cost	1 742 629	2 225 974
<b>Current liabilities</b>		
At amortised cost	483 622	441 575
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 517 894	1 291 007
- in second to fifth year inclusive	3 035 789	3 840 982
	4 553 683	5 131 989
less: future finance charges	(633 565)	(1 296 009)
<b>Present value of minimum lease payments</b>	<b>3 920 118</b>	<b>3 835 980</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1 178 946	1 114 238
- in second to fifth year inclusive	2 741 173	2 721 743
	<b>3 920 119</b>	<b>3 835 981</b>
Non-current liabilities	2 741 173	3 294 623
Current liabilities	1 178 946	911 737
	<b>3 920 119</b>	<b>4 206 360</b>
Finance cost recognised in the Statement of Financial Performance	450 698	424 134

The average lease term is 3 years and the average effective borrowing rate is 9%. Interest rates are fixed at the contract date. No arrangements have been entered into for the contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Systems Improvement Grant	-	103 000
Municipal Infrastructure Grant	16 664 727	14 501 310
Department of Energy	7 211 266	22 535
	<b>23 875 993</b>	<b>14 626 845</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 16. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Difference	Change in discount factor	Total
Environmental rehabilitation	4 436 777	453 165	801 786	5 691 728
Long-service award	2 038 171	-	295 732	2 333 903
	<b>6 474 948</b>	<b>453 165</b>	<b>1 097 518</b>	<b>8 025 631</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 033 434	403 343	4 436 777
Long-service award	1 767 746	270 425	2 038 171
	<b>5 801 180</b>	<b>673 768</b>	<b>6 474 948</b>

#### Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

The following assumptions were made in determining the amount of the provision:

	Modimolle	Mabatlane
<b>30 June 2013</b>		
Discount rate	10%	10%
Escalation rate	6%	6%
Useful life	24 years	24 years
Remaining useful life	3 years	3 years
Restoration area	6300 sqm	5396 sqm

	Modimolle	Mabatlane
<b>30 June 2012</b>		
Discount rate	10%	10%
Escalation rate	6%	6%
Useful life	24 years	24 years
Remaining useful life	2 years	2 years
Restoration area	6300 sqm	4306 sqm

#### Long-service award

A long-service award is granted to Municipal employees for every five (5) years of service completed from ten (10) years of service to forty-five (45) years of service, inclusive. Employees are also entitled to receive a gold watch on the completion of twenty-five (25) years of service and estimated market value of the gold watch is R3 500.00.

The provision represents an estimate of the awards to which employees in the service of the Municipality at 30 June 2013 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2013 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>16. Provisions (continued)</b>		
The long-service award plans are defined benefit plans. As at year-end 322 employees were eligible for long-service awards.		
The Long-Service award actuarial valuation was independently performed by ARCH Actuarial Consultants. The report was prepared by Chanan Weiss BSc FFA. Chanan Weiss is a Fellow of the Actuarial Society of South Africa.		
<b>The history of Liabilities, Assets and Experience Adjustment</b>	<b>2013</b>	<b>2012</b>
Present value of defined benefit obligation	2 333 903	2 038 171
<b>History of Experience Adjustments: Gains and Losses</b>		<b>2013</b>
Liabilities: (Gain)/Loss		148 835
<b>The Principal assumptions used for the purposes of the actuarial valuations were as follows:</b>	<b>2013</b>	<b>2012</b>
Discount Rate	7.27 %	6.52 %
Expected rate of salary increase	6.81 %	5.97 %
Net effective discount rate	0.43 %	0.52 %
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	<b>2013</b>	<b>2012</b>
Present value of Fund obligations	2 333 903	2 038 171
<b>The amount recognised in the Statement of Financial Performance are as follows:</b>	<b>2013</b>	<b>2012</b>
Current service cost	324 938	326 422
Interest cost	122 991	125 473
Actuarial loss	153 990	116 532
Expected employee benefit vesting	(306 187)	-
	<b>295 732</b>	<b>568 427</b>
<b>Reconciliation of the present value of defined benefit obligation to fair value of liability:</b>	<b>2013</b>	<b>2012</b>
Balance at the beginning of year	2 038 171	1 767 746
Current-service Cost	324 938	326 422
Interest Cost	122 991	125 473
Expected employee benefit vesting	(306 187)	(298 002)
Actuarial Loss	153 990	116 532
	<b>2 333 903</b>	<b>2 038 171</b>
<b>17. Payables from exchange transactions</b>		
Trade payables	3 998 176	11 726 600
Payments received in advanced	6 179 716	6 468 457
Retentions	3 232 543	3 706 284
Other creditors	11 004 961	9 445 380
Accrued leave pay	6 916 371	5 947 423
	<b>31 331 767</b>	<b>37 294 144</b>
<b>The movement in the leave pay accrual can be reconciled as follows:</b>		
Opening balance	5 947 423	3 025 647
Contributions to provisions	1 326 288	3 225 002
Expenditure incurred	(357 340)	(303 226)
	<b>6 916 371</b>	<b>5 947 423</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 18. VAT payable

VAT payable	21 136 174	15 766 179
-------------	------------	------------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

### 19. Consumer deposits

Electricity and water	3 026 762	2 808 569
-----------------------	-----------	-----------

No interest is paid on consumer deposits.

### 20. Revenue

Service charges	109 066 284	101 292 303
Rental of facilities and equipment	173 310	345 529
Interest received (trading)	7 458 819	5 141 087
Income from agency services	3 906 671	3 294 168
Other income - (rollup)	5 321 199	2 827 927
Interest received - investment	2 528 256	2 638 618
Property rates	19 426 513	17 640 185
Government grants & subsidies	100 069 852	84 051 066
Fines	95 774	72 243
	<b>248 046 678</b>	<b>217 303 126</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	109 066 284	101 292 303
Rental of facilities and equipment	173 310	345 529
Interest received (trading)	7 458 819	5 141 087
Income from agency services	3 906 671	3 294 168
Other income - (rollup)	5 321 199	2 827 927
Interest received - investment	2 528 256	2 638 618
	<b>128 454 539</b>	<b>115 539 632</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

Property rates	19 426 513	17 640 185
----------------	------------	------------

##### Transfer revenue

Government grants & subsidies	100 069 852	84 051 066
Fines	95 774	72 243

**119 592 139**      **101 763 494**

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 21. Property rates

#### Rates received

Residential	8 991 000	8 404 982
Commercial	7 641 815	6 656 616
State	789 426	742 427
Small holdings and farms	1 995 978	1 828 326
Church	8 294	7 834
	<b>19 426 513</b>	<b>17 640 185</b>

#### Valuations

Residential	29 858 299 670	29 641 374 272
Commercial	4 457 162 117	4 137 763 472
State	574 824 000	574 041 000
Church	23 760 000	23 760 000
Agricultural	33 833 309 508	33 629 023 796
	<b>68 747 355 295</b>	<b>68 005 962 540</b>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

### 22. Service charges

Sale of electricity	70 473 907	64 825 268
Sale of water	24 857 547	24 166 783
Refuse removal	5 383 539	4 904 910
Sewerage and sanitation charges	8 351 291	7 395 342
	<b>109 066 284</b>	<b>101 292 303</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>23. Government grants and subsidies</b>		
Equitable share	56 393 001	50 097 534
Financial Management Grant	1 500 000	1 795 387
Municipal Systems Improvement Grant	800 000	1 092 624
Municipal Infrastructure Grant	35 153 582	27 972 521
Department of Energy	3 811 269	-
Waterberg District Municipality	1 500 000	1 000 000
Extended Public Works Programme	912 000	2 093 000
	<b>100 069 852</b>	<b>84 051 066</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

### Financial Management Grant

Balance unspent at beginning of year	-	545 387
Current-year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	(1 500 000)	(1 795 387)
	-	-

Conditions still to be met - remain liabilities (see note 15).

### Municipal Systems Improvement Grant

Balance unspent at beginning of year	103 000	302 623
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(1 092 623)
Amount Returned to National Treasury	(103 000)	-
Correction of prior period error	-	103 000
	-	<b>103 000</b>

Conditions still to be met - remain liabilities (see note 15).

### Municipal Infrastructure Grant

Balance unspent at beginning of year	14 501 310	8 316 830
Current-year receipts	41 434 000	34 157 000
Conditions met - transferred to revenue	(35 153 583)	(27 972 520)
Amount Returned to National Treasury	(4 117 000)	-
	<b>16 664 727</b>	<b>14 501 310</b>

Conditions still to be met - remain liabilities (see note 15).

### Department of Energy

Balance unspent at beginning of year	22 535	1 822 535
Current-year receipts	11 000 000	-
Conditions met - transferred to revenue	(3 811 269)	(1 822 535)
Correction of prior year error	-	22 535
	<b>7 211 266</b>	<b>22 535</b>



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

#### Waterberg District Municipality

Current-year receipts	1 500 000	1 000 000
Conditions met - transferred to revenue	(1 500 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no. 2 of 2013), the Municipal Infrastructure Grant is significantly decreasing over the forthcoming 3 financial years.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>24. General expenses</b>		
Advertising	365 610	391 626
Auditors Fees	2 319 855	1 762 151
Bank charges	274 250	375 369
Cleaning	94 315	119 752
Commission paid	906 474	167 139
Consulting and professional fees	3 248 328	3 311 457
Consumables	1 660	515
Entertainment	111 741	125 100
Insurance	521 936	529 079
Conferences and seminars	141 796	91 507
IT expenses	79 083	-
Lease rentals on operating lease	246 734	217 512
Marketing	246 033	266 949
Motor vehicle expenses	2 730 790	2 710 525
Postage and courier	4 009	833
Printing and stationery	620 754	1 357 644
Promotions	67 107	72 589
Protective clothing	381 961	592 744
Subscriptions and membership fees	562 291	482 240
Telephone and fax	1 806 630	1 705 259
Transport and freight	326 063	273 200
Training	619 867	441 856
Travel - local	1 684 202	881 887
Other expenses	1 777 687	3 091 279
Council committee	1 090 401	1 066 291
Funeral assistance	37 300	37 500
Special Projects	680 533	641 633
Indigent expense	-	38 909
Chemicals	1 087 233	1 386 897
Upgrade of Eskom Substation	8 768 573	4 150 000
Municipal Strategy	178 201	232 760
Disaster Management	23 341	51 314
Bursaries	295 499	202 540
EAP Referrals	6 366	14 861
Job evaluation	38 000	-
GIS	-	7 600
Long Service Awards	220 445	108 746
Material and Stock	45 850	50 055
Medical Test	37 119	37 299
Municipal Programs	270 732	398 209
Performance Management	484 288	258 506
Programming	1 638 988	1 066 393
Master Plan	139 973	337 205
SMME and Co-Op Development	72 954	92 023
Seeds and Plants	-	2 987
Street signs	20 000	5 000
Test Water Samples	295 444	-
Publications	112 198	144 234
Refuse Bags	48 558	54 088
Valuation Costs	326 700	1 298 185
Youth Volunteer ID	41 890	32 997
Public Participation	453 000	-
Vehicle Rental	1 967 138	-
	<b>37 519 900</b>	<b>30 684 444</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>25. Employee related costs</b>		
Employee related costs - Salaries and Wages	46 529 436	42 533 751
Other Employee Related Costs	2 846 521	3 081 041
Employee related costs - Contributions for UIF, Pensions and Medical Aids	11 055 415	9 425 426
Travel, motor car, accommodation, subsistence and other allowances	3 229 353	2 657 062
Overtime payments	3 186 905	2 133 895
Housing benefits and allowances	943 032	806 327
	<b>67 790 662</b>	<b>60 637 502</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	-	537 638
Contributions to UIF, Medical and Pension Funds	-	126 507
Travel, motor car, accommodation, subsistence and other allowances	-	168 289
	<b>-</b>	<b>832 434</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	687 972	114 662
Car Allowance	90 000	15 000
Contributions to UIF, Medical and Pension Funds	160 558	26 656
	<b>938 530</b>	<b>156 318</b>
<b>Manager Corporate Services</b>		
Annual Remuneration	447 697	275 364
Car Allowance	145 658	96 635
Contributions to UIF, Medical and Pension Funds	136 270	81 461
	<b>729 625</b>	<b>453 460</b>
<b>Manager Social Services</b>		
Annual Remuneration	-	380 096
Car Allowance	-	142 331
Contributions to UIF, Medical and Pension Funds	-	127 613
	<b>-</b>	<b>650 040</b>
<b>Manager Technical Services</b>		
Annual Remuneration	422 787	192 382
Car Allowance	143 671	77 029
Performance Bonuses	120 482	-
Contributions to UIF, Medical and Pension Funds	-	56 321
	<b>686 940</b>	<b>325 732</b>
<b>26. Remuneration of councillors</b>		
Mayor	643 518	615 522
Executive Committee Members	896 005	908 621
Speaker	519 304	492 122
Councillors	3 205 160	2 947 532
	<b>5 263 987</b>	<b>4 963 797</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>26. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of the Council owned vehicle for official duties.		
<b>27. Investment earned - external investments</b>		
<b>Interest revenue</b>		
Bank	2 510 358	2 579 738
Eskom deposit	17 898	58 880
	<b>2 528 256</b>	<b>2 638 618</b>
	-	-
	2 528 256	2 638 618
<b>28. Finance costs</b>		
Finance leases	450 698	439 643
Current borrowings	268 679	322 952
Provisions	1 997 680	1 986 734
	<b>2 717 057</b>	<b>2 749 329</b>
<b>29. Auditors' Fees</b>		
Auditor General Fees	2 245 984	1 586 602
Internal Audit Committee Fees	73 871	175 549
	<b>2 319 855</b>	<b>1 762 151</b>
<b>30. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rental of facilities	173 310	345 529
Premises	173 310	345 529
Garages and parking	-	-
Facilities and equipment	-	-
<b>31. Contracted services</b>		
Legal services	1 282 055	2 661 665
Security services	5 868 014	5 297 603
	<b>7 150 069</b>	<b>7 959 268</b>
<b>32. Bulk purchases</b>		
Electricity	61 465 066	58 165 735
Water	5 832 870	7 781 035
	<b>67 297 936</b>	<b>65 946 770</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>33. Cash generated from operations</b>		
Surplus (deficit)	23 885 739	(1 181 849)
<b>Adjustments for:</b>		
Depreciation and amortisation	23 280 209	30 503 397
Gain on sale of assets and liabilities	2 113 003	459 917
Gain on sale of non-current assets and disposal groups	445 189	135 726
Inventory Surplus	(110 646)	-
Finance costs - Finance leases	450 698	439 643
Debt impairment	1 163 513	4 530 920
Movements in retirement benefit assets and liabilities	2 558 020	-
Movements in provisions	1 550 683	73 606
Donations	-	79 963
Other non-cash items	-	18 932
Current Service cost	2 572 925	2 099 988
Actuarial Gains	-	(1 173 101)
<b>Changes in working capital:</b>		
Inventories	414 180	(1 808 932)
Receivables from exchange transactions	(21 033 092)	(21 526 072)
Other receivables from non-exchange transactions	(2 672 215)	(2 463 361)
Consumer debtors	(1 163 513)	-
Payables from exchange transactions	(5 962 383)	21 334 893
VAT	5 369 995	10 504 870
Unspent conditional grants and receipts	9 249 148	3 513 935
Consumer deposits	218 193	121 454
	<b>42 329 646</b>	<b>45 663 929</b>

## 34. Contingencies

<b>Pending Legal Cases:</b>	<b>2013</b>	<b>2012</b>
Modimolle vs Chris Cook - Claim for payments of rates and taxes	580 000	120 000
<b>Modimolle vs Farmers</b>		
JP Kriel vs Modimolle - Claim for payments of rates and taxes	18 188	18 000
BD Pienaar vs Modimolle Local Municipality - Claim for payments of rates and taxes	17 655	18 000
FW Deyssel vs Modimolle Local Municipality - Claim for Payments of rates and taxes	15 960	18 000
Peter West vs Modimolle Local Municipality - Compensation for defective electrical meter	250 000	-
JM Muenda vs Kgatlapa CC vs Modimolle - Injury sustained by child juring contractual work at Vaalwater. Possible financial loss may be recovered from insurance.	70 000	200 000
Pieter Bezuidenhout vs Modimolle Local Municipality - Legal claim for damages of motor vehicle.	-	70 000
Johannes Cornelius van Tonder vs Modimolle - Legal claim for damages of a motor vehicle	390 000	60 000
KC Joubert vs Modimolle - Labour dispute. no specific amount and awaiting date of hearing	80 000	80 000
Vusithemba vs Modimolle - Application of an interdict to stop operation	62 000	-
Hellen West vs Modimolle - Compensation for defective electrical meter.	60 000	-
MP Segwapa vs Modimolle - Dismissal related to misconduct.	-	150 000
	<b>1 543 803</b>	<b>734 000</b>

## 35. Prior period errors

During the year ended 30 June 2013 Property, Plant and Equipment were misstated and those misstatements were detected during the current financial year under review. Those errors were corrected retrospectively and comparative figures have been appropriately adjusted.

The financial effect of misstatements and reclassifications is as follows:

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 35. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	-	1 241 096
Increase in Government Grant and Subsidies	-	125 535
Decrease in Inventory	-	(1 764 699)
Increase in the Finance Lease Liability	-	(780 955)
Decrease in Sundry Debtors	-	(234 858)

#### Statement of Financial Performance

Depreciation on operating lease motor vehicles (Reversal of depreciation on operating lease motor vehicles)	-	(975 020)
Understatement of Depreciation on Finance Lease Assets (Correction of depreciation on understated finance lease assets)	-	182 322
Overstatement of Depreciation on Land (Landfill site)	-	(1 007 304)
Understatement of Deeciation on Library Books (Depreciation on previously unrecognised assets)	-	441 968
Overstatement of Depreciation on Community facilities (Reversal of overstatement of depreciation on Community facilities in prior years)	-	423
Overstatement of Depreciation on Roads and Stormwater network ( Reversal of overstatement of depreciation on Roads and stormwater network in prior years)	-	9 312 055
Overstatement of Depreciation on Electricity network (Reversal of overstatement of depreciation on Electricity network in prior years)	-	839
Overstatement of Depreciation on Water supply network (Reversal of overstatement of depreciation on Water supply network in prior years)	-	32 924
Overstatement of Depreciation on Sanitation network (Reversal of overstatement of depreciation on Sanitation network in prior years)	-	3 119
Overstatement of Depreciation on Operational buildings (Reversal of overstatement of depreciation on Operational buildings in prior years)	-	29 863
Overstatement of Depreciation on Buildings (Reversal of overstatement of depreciation on Buildings in prior years)	-	64 069
Total Depreciation expense	-	8 085 259

#### Cash flow statement

### 36. Comparative figures

Certain comparative figures have been reclassified.

### 37. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated surplus of R 855 658 889 and that the municipality's total assets exceed liabilities by R 856 142 152.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 38. Events after the reporting date

Management have not identified any matter of circumstance (adjusting or non-adjusting) since the end of the financial year, that will impact on the fair presentation of the Annual Financial Statements.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 39. Unauthorised expenditure

Opening balance	54 099 542	37 729 891
Unauthorised expenditure condoned - A268/8/2013	(37 729 891)	-
Unauthorised expenditure condoned - A269/8/2013	(15 809 551)	-
Unauthorised expenditure for the current year	-	16 369 651
	<b>560 100</b>	<b>54 099 542</b>

### 40. Fruitless and wasteful expenditure

Opening balance	1 360 617	803 292
Written-off as irrecoverable - A266/8/2013	(956 230)	-
Fruitless and wasteful expenditure for the current year	94 707	557 325
Written-off as irrecoverable - A267/8/2013	(94 707)	-
	<b>404 387</b>	<b>1 360 617</b>

This expenditure is under investigation. The decision whether the expenditure/ losses are recoverable, any criminal or disciplinary steps to be taken and material losses recovered or written off is pending this investigation. Additional text

### 41. Irregular expenditure

Add: Irregular Expenditure - current year	1 319 376	5 551 832
Irregular expenditure condoned - A271/8/2013	(1 319 376)	-
Irregular expenditure condoned - A237/6/2013	-	(267 071)
Less: Amounts not recoverable (not condoned)	-	(5 284 761)
	<b>-</b>	<b>-</b>

Irregular expenditure 2012/2013 only contains deviations that have been condoned by the municipal council.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 42. Additional disclosure in terms of Municipal Finance Management Act

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor SA Sebolai	957	-	957
Councillor MF Marutha	436	11 240	11 676
Councillor MS Olifant	281	-	281
Councillor G Ferreira	315	-	315
Councillor RP Mashaba	209	-	209
Councillor WL Botes	1 204	-	1 204
Councillor SJ Moropene	243	2 812	3 055
Councillor MS Ledwaba	224	1 342	1 566
Councillor MS Motshegoa	591	3 681	4 272
	<b>4 460</b>	<b>19 075</b>	<b>23 535</b>

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor SA Sebolai	793	-	793
Councillor MF Marutha	1 173	5 710	6 883
Councillor MS Olifant	126	-	126
Councillor SD Sebelebele	206	1 069	1 275
Councillor G Ferreira	296	-	296
Councillor RP Mashaba	369	-	369
Councillor WL Botes	685	-	685
Councillor SJ Moropene	211	1 183	1 394
Councillor MS Ledwaba	278	730	1 008
	<b>4 137</b>	<b>8 692</b>	<b>12 829</b>

During the year the following Councillors' had arrear accounts outstanding for less than 90 days.

30 June 2013	Current	30 Days
Councillor SA Sebolai	834	123
Councillor MS Olifant	281	-
Councillor G Ferreira	315	-
Councillor RP Mashaba	209	-
Councillor WL Botes	1 204	-
	<b>2 843</b>	<b>123</b>

### 43. Interest earned - outstanding receivables

Consumer debtors	7 458 819	5 141 087
------------------	-----------	-----------

### 44. Distribution Losses

Water Losses	2013	2012
Average % Loss	4.16 %	2.72 %
Annual Loss	14.35 %	- %
	<b>18.51 %</b>	<b>2.72 %</b>



**Modimolle Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2010**

		<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2012</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2013</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
				<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		
<b>Development Bank of South Africa</b>									
DBSA	11191			260 646	-	119 997	140 649	-	-
				<b>260 646</b>	<b>-</b>	<b>119 997</b>	<b>140 649</b>	<b>-</b>	<b>-</b>
<b>Development Bank of South Africa</b>									
DBSA	10467			1 262 070	-	173 581	1 088 489	-	-
				<b>1 262 070</b>	<b>-</b>	<b>173 581</b>	<b>1 088 489</b>	<b>-</b>	<b>-</b>
<b>Development Bank of South Africa</b>									
DBSA	13537			1 144 834	-	147 720	997 114	-	-
				<b>1 144 834</b>	<b>-</b>	<b>147 720</b>	<b>997 114</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>									
Development Bank of South Africa				260 646	-	119 997	140 649	-	-
Development Bank of South Africa				1 262 070	-	173 581	1 088 489	-	-
Development Bank of South Africa				1 144 834	-	147 720	997 114	-	-
				<b>2 667 550</b>	<b>-</b>	<b>441 298</b>	<b>2 226 252</b>	<b>-</b>	<b>-</b>

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

[illegible]

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of error Rand	WIP Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	5 261 399	-	(1 759 548)	-	-	-	3 501 851	(2 359 423)	151 213	-	(536 828)	-	(2 745 038)	756 813
Plant & equipment	1 838 984	169 583	(1 006 000)	-	59 546	-	1 062 113	(829 297)	551 668	-	(313 509)	-	(591 138)	470 975
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 511 152	25 952	(279 661)	-	19 322	-	2 276 765	(974 457)	133 728	-	(378 656)	-	(1 219 385)	1 057 380
Office Equipment	2 461 595	148 804	(737 733)	-	5 277 767	-	7 150 433	(995 290)	327 249	(1 006 779)	(1 610 069)	-	(3 284 889)	3 865 544
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library books	-	9 568	-	-	1 164 673	-	1 174 241	-	-	(441 968)	(110 419)	-	(552 387)	621 854
Emergency Equipment	14 988	-	-	-	-	-	14 988	(6 730)	4 054	-	(2 021)	-	(4 697)	10 291
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12 088 118	353 907	(3 782 942)	-	6 521 308	-	15 180 391	(5 165 197)	1 167 912	(1 448 747)	(2 951 502)	-	(8 397 534)	6 782 857
Total property plant and equipment														
Land and buildings	416 342 919	801 786	-	-	-	3 791 776	420 936 481	(15 526 869)	-	93 932	(2 108 993)	-	(17 541 930)	403 394 551
Infrastructure	459 445 078	30 940 379	-	-	-	18 501 710	508 887 167	(96 860 944)	-	9 348 937	(17 578 750)	-	(105 090 757)	403 796 410
Community Assets	19 685 717	702 646	-	-	-	-	20 388 363	(5 505 773)	-	423	(640 964)	-	(6 146 314)	14 242 049
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	12 088 118	353 907	(3 782 942)	-	6 521 308	-	15 180 391	(5 165 197)	1 167 912	(1 448 747)	(2 951 502)	-	(8 397 534)	6 782 857

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of error Rand	WIP Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Servitude	2 497 269	-	-	-	-	-	2 497 269	-	-	-	-	-	-	2 497 269
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>2 497 269</b>	-	-	-	-	-	<b>2 497 269</b>	-	-	-	-	-	-	<b>2 497 269</b>
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>														
Land and buildings	416 342 919	801 786	-	-	-	3 791 776	420 936 481	(15 526 869)	-	93 932	(2 108 993)	-	(17 541 930)	403 394 551
Infrastructure	459 445 078	30 940 379	-	-	-	18 501 710	508 887 167	(96 860 944)	-	9 348 937	(17 578 750)	-	(105 090 757)	403 796 410
Community Assets	19 685 717	702 646	-	-	-	-	20 388 363	(5 505 773)	-	423	(640 964)	-	(6 146 314)	14 242 049
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	12 088 118	353 907	(3 782 942)	-	6 521 308	-	15 180 391	(5 165 197)	1 167 912	(1 448 747)	(2 951 502)	-	(8 397 534)	6 782 857
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2 497 269	-	-	-	-	-	2 497 269	-	-	-	-	-	-	2 497 269
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>910 059 101</b>	<b>32 798 718</b>	<b>(3 782 942)</b>	-	<b>6 521 308</b>	<b>22 293 486</b>	<b>967 889 671</b>	<b>(123 058 783)</b>	<b>1 167 912</b>	<b>7 994 545</b>	<b>(23 280 209)</b>	-	<b>(137 176 535)</b>	<b>830 713 136</b>

## Modimolle Local Municipality Appendix E(2)

## Budget Analysis of Capital Expenditure as at 30 June 2010

Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
Rand	Budget Rand	Rand	%	

## Municipality

[illegible]

## Municipal Owned Entities

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>22 293</b>	<b>65 430</b>	<b>43 137</b>	<b>66</b>

### Other charges

-	-	-	-
-	-	-	-
-	-	-	-
<hr/>			
-	-	-	-

Modimolle Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		
MIG		-	16 300	12 309	12 825	-	-	9 748	4 747	6 062	14 597	-	-	-	-	-		
FMG		-	1 500	-	-	-	-	44	169	446	842	-	-	-	-	-		
MSIG		-	800	-	-	-	-	181	258	238	123	-	-	-	-	-		
EEDG		-	-	6 000	2 000	-	-	2	14	330	466	-	-	-	-	-		
INEG		-	2 960	40	-	-	-	2 119	973	(92)	-	-	-	-	-	-		
		-	21 560	18 349	14 825	-	-	12 094	6 161	6 984	16 028	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.